

ANNUAL REPORT  
FOR THE  
YEAR ENDING  
MARCH 30, 1957

# FIRST NATIONAL STORES

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# FIRST NATIONAL STORES INC.

## OFFICERS

ADRIAN O'KEEFFE, *President*

RALPH F. BURKARD, *Treasurer*

BYRON M. FLEMMING, *Vice-President*

JOHN L. MACNEIL, *Vice-President*

EDMUND J. MURPHY, *Vice-President*

JOHN E. ELWELL, *Clerk*

## DIRECTORS

RALPH F. BURKARD

BYRON M. FLEMMING

SAMUEL JOSELOFF

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JAMES J. O'HARE

ADRIAN O'KEEFFE

BERNARD M. O'KEEFFE

## EXECUTIVE COMMITTEE

RALPH F. BURKARD

JOHN L. MACNEIL

ADRIAN O'KEEFFE



Workers in new fast-growing industries such as jet aircraft and electronics are served by our supermarkets as illustrated by the new one in New London, Conn., which helps to feed the men who are building the world's first atomic powered submarines.



**TO THE STOCKHOLDERS OF FIRST NATIONAL STORES INC.:**

Somerville, Massachusetts, June 3, 1957

Sales for the fiscal year ending March 30, 1957 reached a new high of \$507,361,437 as compared with \$491,667,908 for the previous year, an increase of \$15,693,529.

Earnings, after Lifo inventory adjustment, were \$8,039,041 or \$4.91 for each share of our stock. In the previous year our earnings were \$8,071,326 after Lifo inventory adjustment and flood losses, and were \$4.93 per share.

Dividends totaling \$2.50 per share were paid on the common stock outstanding — including four quarterly dividends of 50c per share and a special year-end dividend of 50c per share. In the previous year dividends of \$2.40 per share were paid.

The following is a brief summary of our operations:

|   | <i>For the Fiscal Year Ending</i> |                       |
|---|-----------------------------------|-----------------------|
|   | <i>March 30, 1957</i>             | <i>March 31, 1956</i> |
| Retail store sales . . . . .  | \$507,361,437                     | \$491,667,908         |
| Net earnings after taxes . . . . .                                    | \$ 8,039,041                      | \$ 8,071,326          |
| Per share of common stock   |                                   |                       |
| After taxes and before Lifo adjustment and flood losses . . .         | \$5.02                            | \$5.17                |
| Lifo inventory adjustment . . . . .                                   | — .11                             | — .03                 |
| Flood losses . . . . .  | —                                 | — .21                 |
| Total . . . . .   | <u>\$4.91</u>                     | <u>\$4.93</u>         |
| <br>  |                                   |                       |
| Net working capital (current assets less current liabilities) . . . . | \$ 19,595,027                     | \$ 15,149,600         |
| Fixed or property assets (less depreciation) . . . . .                | 46,339,902                        | 39,728,331            |
| Stockholders' equity (net worth) . . . . .                            | 67,883,971                        | 59,872,126            |

On the center pages are graphic charts showing the results of our operations for the past thirty-one years. The per share earnings chart gives effect, for all years, to the 2-for-1 stock split in 1951.

Architecturally in harmony with a long-settled New England suburban community, this new Hingham supermarket has become a favorite with shoppers on the South Shore of Massachusetts.





Earnings were charged with depreciation totaling \$6,820,565 which, after taxes, is equivalent to \$2.21 per share on the common stock as compared to \$5,920,741 or \$1.89 per share in the prior year.

We are pleased to report the allowance by the United States Treasury Department of our company's claims for refund of income taxes for the years 1942 to 1953 inclusive, based on the Lifo method of valuing inventory. The tax refund has been received and, after all the necessary book adjustments were made, a net amount of \$4,065,649 was credited to earnings employed in the business account as shown in detail in Note 1 of the Notes to Financial Statements in this report.

Capital expenditures totaled \$13,986,184 for the fiscal year and were financed from the year's provision for depreciation, retained earnings and also in part from the cash received in settlement of our claims for refund of prior years' federal income taxes in connection with Lifo.

The company is in strong financial condition. At the year end there were no loans outstanding. Working capital was \$19,595,027, an increase of \$4,445,427 over the prior year end. Stockholders' equity increased \$8,011,845 and is now \$67,883,971.

Over a period of many years the company has utilized a substantial part of its retained earnings for capital expenditures for fixed assets. In order to reflect more properly the ratio of our investment in fixed assets to the common stock, \$25,000,000 has been transferred from "Earnings Retained in the Business Account" to "Common Stock Account."

During the year the company opened 24 new supermarkets. Thirty-two supermarkets were remodeled or enlarged during this period. Seventy-eight small-volume stores, including 15 inadequate supermarkets, were closed. At year end we were operating 607 stores, 340 of them supermarkets. We are continuing the development of new stores and the modernization of existing stores. Twenty new supermarkets are planned for opening in the current fiscal year and a substantial number of stores will be remodeled or enlarged. These units will incorporate all the recent advances in operating facilities and techniques.

There are now 15,500 men and women in the First National Stores organization. Their continued fine performance is greatly appreciated by the management.

**ADRIAN O'KEEFFE,**  
*President*

#### **ANNUAL MEETING — PROXIES**

A notice of the annual meeting of stockholders, proxy statement and proxy accompany this report. Stockholders ARE REQUESTED TO SIGN THE MANAGEMENT'S AUTHORIZED PROXY AND MAIL PROMPTLY IN THE ENVELOPE PROVIDED. Your immediate attention to this important matter will be greatly appreciated and will save your company considerable time and expense.

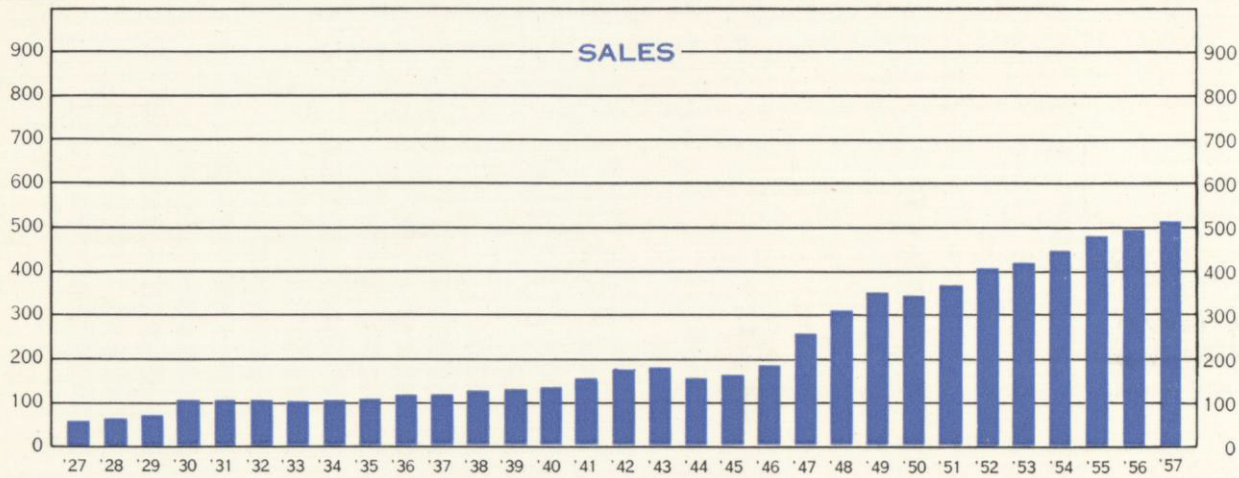


A large new First National supermarket carrying a wide variety of merchandise is located in New Hampshire's capital city of Concord.



MILLIONS OF DOLLARS

MILLIONS OF DOLLARS

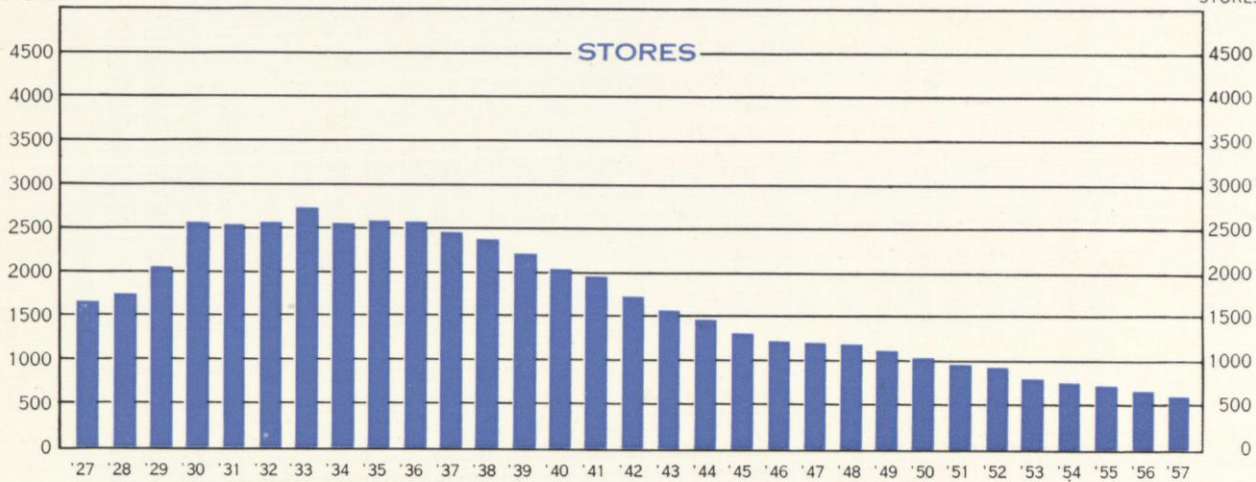


*Retail Stores Sales — Fiscal Years*

|      |              |      |               |      |               |      |               |      |               |      |               |
|------|--------------|------|---------------|------|---------------|------|---------------|------|---------------|------|---------------|
| 1927 | \$59,038,304 | 1932 | \$107,634,383 | 1937 | \$120,682,961 | 1942 | \$174,378,932 | 1947 | \$256,506,910 | 1952 | \$406,773,153 |
| 1928 | 64,445,962   | 1933 | 100,892,947   | 1938 | 124,294,617   | 1943 | 187,839,592   | 1948 | 315,915,554   | 1953 | 424,521,672   |
| 1929 | 75,884,639   | 1934 | 105,812,781   | 1939 | 124,222,955   | 1944 | 164,924,978   | 1949 | 354,444,614   | 1954 | 442,180,165   |
| 1930 | 107,635,216  | 1935 | 111,323,463   | 1940 | 131,041,157   | 1945 | 170,236,678   | 1950 | 344,171,022   | 1955 | 470,628,572   |
| 1931 | 108,196,686  | 1936 | 119,575,417   | 1941 | 142,680,921   | 1946 | 182,131,241   | 1951 | 371,853,140   | 1956 | 491,667,908   |
|      |              |      |               |      |               |      |               | 1957 | 507,361,437   |      |               |

STORES

STORES



*Stores — Fiscal Years*

|      |      |      |      |      |      |      |      |      |      |      |     |
|------|------|------|------|------|------|------|------|------|------|------|-----|
| 1927 | 1681 | 1932 | 2546 | 1937 | 2473 | 1942 | 1748 | 1947 | 1201 | 1952 | 922 |
| 1928 | 1717 | 1933 | 2705 | 1938 | 2350 | 1943 | 1585 | 1948 | 1150 | 1953 | 847 |
| 1929 | 2002 | 1934 | 2653 | 1939 | 2244 | 1944 | 1463 | 1949 | 1083 | 1954 | 761 |
| 1930 | 2549 | 1935 | 2623 | 1940 | 2137 | 1945 | 1340 | 1950 | 1033 | 1955 | 702 |
| 1931 | 2548 | 1936 | 2556 | 1941 | 1923 | 1946 | 1236 | 1951 | 979  | 1956 | 661 |
|      |      |      |      |      |      |      |      |      |      | 1957 | 607 |

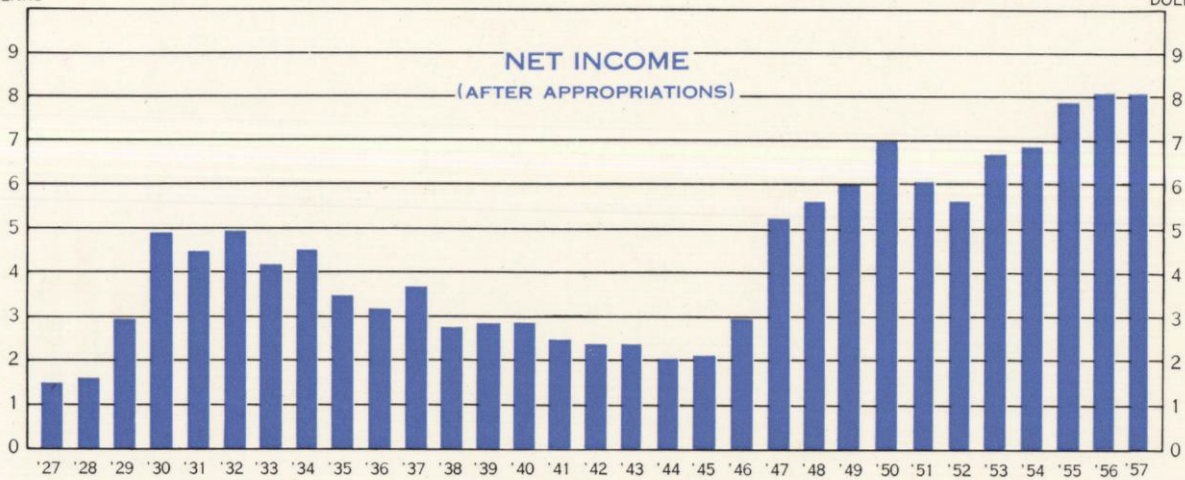
A new landmark on one of the most heavily traveled stretches of road in the world, this Medford, Mass., First National has gained repute as one of the region's most outstanding shops; won the community's approbation for its mural painting of shipbuilding, honoring Medford's oldest industry.





MILLIONS OF DOLLARS

MILLIONS OF DOLLARS

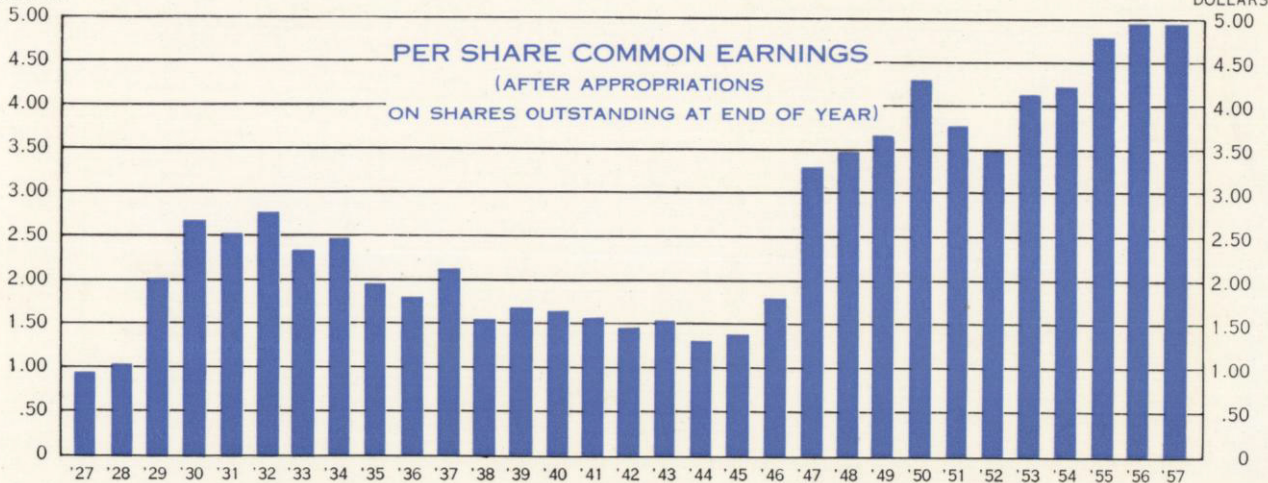


*Net Income — Fiscal Years*

|      |             |      |             |      |             |      |             |      |             |      |             |
|------|-------------|------|-------------|------|-------------|------|-------------|------|-------------|------|-------------|
| 1927 | \$1,492,193 | 1932 | \$4,825,611 | 1937 | \$3,647,001 | 1942 | \$2,380,294 | 1947 | \$5,357,235 | 1952 | \$5,571,415 |
| 1928 | 1,593,358   | 1933 | 4,220,099   | 1938 | 2,705,191   | 1943 | 2,465,079   | 1948 | 5,629,705   | 1953 | 6,742,051   |
| 1929 | 2,904,884   | 1934 | 4,394,830   | 1939 | 2,774,366   | 1944 | 2,235,104   | 1949 | 5,905,880   | 1954 | 6,830,629   |
| 1930 | 4,773,446   | 1935 | 3,433,504   | 1940 | 2,739,074   | 1945 | 2,294,604   | 1950 | 6,997,980   | 1955 | 7,968,619   |
| 1931 | 4,479,108   | 1936 | 3,163,329   | 1941 | 2,508,719   | 1946 | 2,885,555   | 1951 | 6,134,530   | 1956 | 8,071,326   |
|      |             |      |             |      |             |      |             |      |             | 1957 | 8,039,041   |

DOLLARS

DOLLARS



*Per Share Common — Fiscal Years*

|      |        |      |        |      |        |      |        |      |        |      |        |
|------|--------|------|--------|------|--------|------|--------|------|--------|------|--------|
| 1927 | \$0.96 | 1932 | \$2.76 | 1937 | \$2.12 | 1942 | \$1.45 | 1947 | \$3.27 | 1952 | \$3.40 |
| 1928 | 1.04   | 1933 | 2.39   | 1938 | 1.57   | 1943 | 1.51   | 1948 | 3.43   | 1953 | 4.11   |
| 1929 | 2.04   | 1934 | 2.48   | 1939 | 1.69   | 1944 | 1.36   | 1949 | 3.61   | 1954 | 4.17   |
| 1930 | 2.69   | 1935 | 1.95   | 1940 | 1.67   | 1945 | 1.40   | 1950 | 4.27   | 1955 | 4.86   |
| 1931 | 2.52   | 1936 | 1.82   | 1941 | 1.53   | 1946 | 1.76   | 1951 | 3.74   | 1956 | 4.93   |
|      |        |      |        |      |        |      |        |      |        | 1957 | 4.91   |

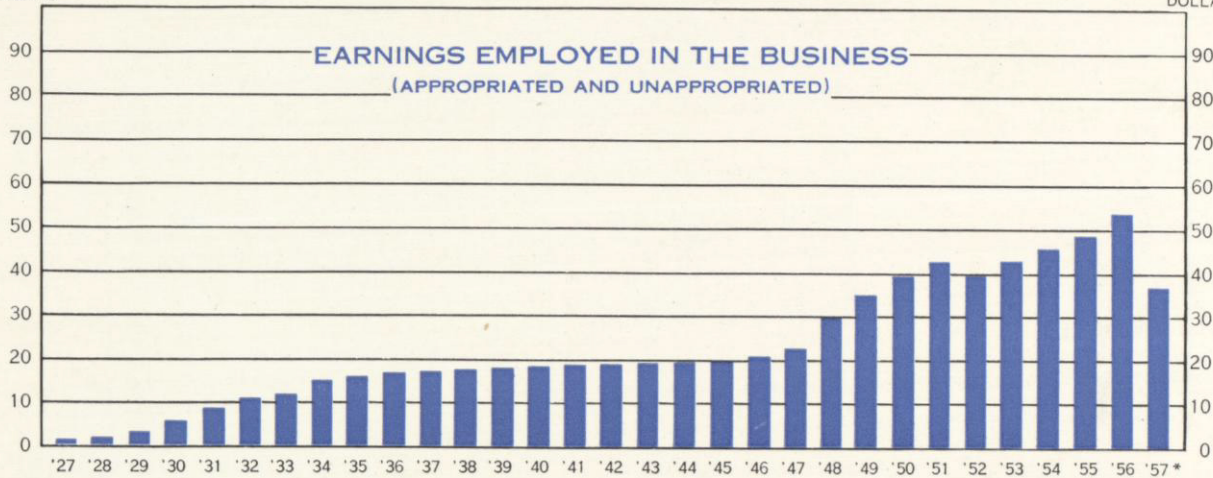


The shopping center is especially suited to the needs of the fast-growing residential areas on Long Island and First National is part of this modern retailing development, as in Syosset, on the Jericho Turnpike.



MILLIONS OF DOLLARS

MILLIONS OF DOLLARS



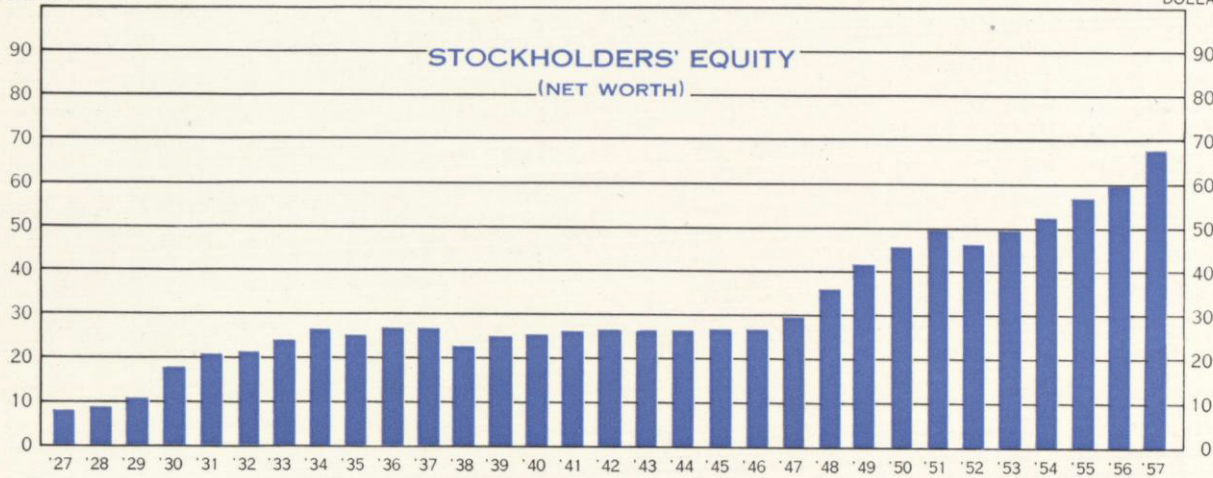
*Earnings Employed in the Business — Fiscal Years*

|      |             |      |              |      |              |      |              |      |              |      |              |
|------|-------------|------|--------------|------|--------------|------|--------------|------|--------------|------|--------------|
| 1927 | \$1,996,375 | 1932 | \$10,816,321 | 1937 | \$16,670,118 | 1942 | \$18,889,476 | 1947 | \$23,235,669 | 1952 | \$39,604,479 |
| 1928 | 2,238,303   | 1933 | 12,666,672   | 1938 | 16,688,036   | 1943 | 19,308,135   | 1948 | 29,189,624   | 1953 | 41,807,095   |
| 1929 | 3,987,782   | 1934 | 14,213,494   | 1939 | 17,423,131   | 1944 | 19,496,819   | 1949 | 34,350,171   | 1954 | 44,954,164   |
| 1930 | 6,369,726   | 1935 | 15,121,448   | 1940 | 18,112,565   | 1945 | 19,745,003   | 1950 | 38,483,159   | 1955 | 48,993,652   |
| 1931 | 8,371,910   | 1936 | 16,062,827   | 1941 | 18,572,964   | 1946 | 20,334,138   | 1951 | 41,752,697   | 1956 | 53,135,847   |

\*Transferred \$25,000,000 to Common Stock Account.

MILLIONS OF DOLLARS

MILLIONS OF DOLLARS



*Stockholders' Equity — Fiscal Years*

|      |             |      |              |      |              |      |              |      |              |      |              |
|------|-------------|------|--------------|------|--------------|------|--------------|------|--------------|------|--------------|
| 1927 | \$8,723,782 | 1932 | \$22,793,743 | 1937 | \$26,369,140 | 1942 | \$25,625,755 | 1947 | \$29,971,948 | 1952 | \$46,340,758 |
| 1928 | 8,965,710   | 1933 | 24,644,049   | 1938 | 23,746,089   | 1943 | 26,044,414   | 1948 | 35,925,903   | 1953 | 48,543,374   |
| 1929 | 11,724,410  | 1934 | 26,190,916   | 1939 | 24,216,168   | 1944 | 26,233,098   | 1949 | 41,086,450   | 1954 | 51,690,443   |
| 1930 | 18,347,148  | 1935 | 24,820,470   | 1940 | 24,874,883   | 1945 | 26,481,282   | 1950 | 45,219,438   | 1955 | 55,729,931   |
| 1931 | 20,349,333  | 1936 | 25,761,849   | 1941 | 25,293,286   | 1946 | 27,070,417   | 1951 | 48,488,976   | 1956 | 59,872,126   |

And in the popular shopping center of Plainview in Morton Village, Long Island, this First National is the largest store.





**FIRST NATIONAL STORES INC.**

**BALANCE SHEET**

**ASSETS**

|  | MARCH 30,<br>1957 | MARCH 31,<br>1956 |
|--|-------------------|-------------------|
| <b>CURRENT ASSETS:</b>   |                   |                   |
| Cash . . . . .   | \$16,205,437      | \$13,442,432      |
| Accounts receivable . . . . .  | 1,329,797         | 1,673,730         |
| Inventories, on last-in, first-out cost basis, which is below market (Note 1) . . . . .  | 29,477,583        | 27,459,460        |
| Total current assets . . . . .   | \$47,012,817      | \$42,575,622      |
| <br><b>FIXED ASSETS, at cost, less fully-depreciated assets:</b>   |                   |                   |
| Land . . . . .   | \$ 6,190,742      | \$ 5,137,289      |
| Buildings owned . . . . .  | 28,281,268        | 25,752,631        |
| Store fixtures, leased property improvements, machinery and equipment . . . . .  | 43,136,825        | 36,018,627        |
| Automotive equipment . . . . .   | 2,930,673         | 2,236,154         |
|  | \$80,539,508      | \$69,144,701      |
| <i>Less</i> — Depreciation . . . . .   | 34,199,606        | 29,416,370        |
|  | \$46,339,902      | \$39,728,331      |
| <br><b>OTHER ASSETS AND DEFERRED CHARGES:</b>  |                   |                   |
| Claims for refunds of federal taxes on income (Note 1) . . . . .   | \$ —              | \$ 2,950,000      |
| Investment in wholly-owned subsidiary companies — at cost (represented by underlying net assets of \$1,075,309 in 1957, \$1,022,850 in 1956) . . . . . | 250,833           | 250,833           |
| Prepaid insurance and other deferred expenses . . . . .  | 2,232,435         | 2,480,107         |
| Miscellaneous . . . . .  | 55,698            | 60,911            |
|  | \$ 2,538,966      | \$ 5,741,851      |
|  | \$95,891,685      | \$88,045,804      |



First National pylons against the sky have been hailed as signs of progress in communities such as Beverly, Mass., a city world-famous for the products of its skilled artisans.



# FIRST NATIONAL STORES INC.

# BALANCE SHEET

## LIABILITIES

|   | March 30,<br>1957   | March 31,<br>1956   |
|---|---------------------|---------------------|
| <b>CURRENT LIABILITIES:</b>   |                     |                     |
| Accounts payable . . . . .  | \$13,197,958        | \$13,044,512        |
| Owing to subsidiary companies . . . . .   | 179,765             | 197,639             |
| Accrued local and state taxes and other expenses . . . . .  | 5,363,352           | 5,100,244           |
| Federal taxes on income . . . . .   | 8,676,715           | 9,083,627           |
| Total current liabilities . . . . .   | <u>\$27,417,790</u> | <u>\$27,426,022</u> |
| <b>RESERVES:</b>  |                     |                     |
| For past service costs under retirement annuity plan . . . . .  | \$ 444,846          | \$ 607,098          |
| Miscellaneous operating reserves . . . . .  | 145,078             | 140,558             |
|   | <u>\$ 589,924</u>   | <u>\$ 747,656</u>   |
| <b>STOCKHOLDERS' EQUITY:</b>  |                     |                     |
| Common stock:   |                     |                     |
| Authorized — 2,000,000 shares without par value   |                     |                     |
| Issued — 1,655,268 shares . . . . .   | \$31,977,422        | \$ 6,977,422        |
| Earnings employed in the business:  |                     |                     |
| Appropriated for contingencies . . . . .  | —                   | 744,258             |
| Unappropriated (in 1957, less \$25,000,000 transferred to common stock account), per accompanying statement . . . . . | 36,463,268          | 52,391,589          |
|   | <u>\$68,440,690</u> | <u>\$60,113,269</u> |
| <i>Deduct</i> — Common stock held in treasury — 18,114 shares (in 1957 — at cost) . . . . .                           | 556,719             | 241,143             |
| Total stockholders' equity . . . . .  | <u>\$67,883,971</u> | <u>\$59,872,126</u> |
|   | <u>\$95,891,685</u> | <u>\$88,045,804</u> |

## ACCOUNTANTS' OPINION

TO THE STOCKHOLDERS OF FIRST NATIONAL STORES INC.

In our opinion, the accompanying balance sheet and related statements of earnings and earnings employed in the business, with the notes thereto, present fairly the financial position of First National Stores Inc. at March 30, 1957 and the results of its operations for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent (except for the change in method of computing depreciation referred to in Note 2, which we approve) with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Boston, Massachusetts  
May 17, 1957

PRICE WATERHOUSE & CO.

A fine residential community, Dedham, Mass., has been served by First National Stores for several decades, and this splendid new store, with large parking facilities, is located at the junction of two main highways.





# FIRST NATIONAL STORES INC.      STATEMENT OF EARNINGS

|   | FISCAL YEAR ENDED |                |
|---|-------------------|----------------|
|   | MARCH 30, 1957    | MARCH 31, 1956 |
| Sales and revenues:   |                   |                |
| Retail store sales . . . . .  | \$507,361,437     | \$491,667,908  |
| Dividends received from wholly-owned subsidiary companies (net earnings for the year — \$116,321 for 1957, \$71,869 for 1956) . . . . . | 74,000            | 57,000         |
| Other income . . . . .  | 1,029             | 526            |
|   | \$507,436,466     | \$491,725,434  |
| Costs and expenses:   |                   |                |
| Cost of sales, expenses, etc. (exclusive of depreciation) . . . . .   | \$483,695,573     | \$467,455,294  |
| Provision for depreciation of fixed assets (Note 2) . . . . .   | 6,820,565         | 5,920,741      |
| Interest expense . . . . .  | 278,753           | 92,605         |
| Net (gain) loss on disposal of fixed assets . . . . .   | (97,466)          | 72,242         |
| Losses from floods . . . . .  | —                 | 723,226        |
| Provision for federal taxes on income . . . . .   | 8,700,000         | 9,390,000      |
|   | \$499,397,425     | \$483,654,108  |
| Net earnings . . . . .  | \$ 8,039,041      | \$ 8,071,326   |

## STATEMENT OF EARNINGS EMPLOYED IN THE BUSINESS

FISCAL YEAR ENDED MARCH 30, 1957

|   |              |              |
|---|--------------|--------------|
| Balance, March 31, 1956 . . . . .   |              | \$52,391,589 |
| Net earnings for the year, per accompanying statement . . . . .   |              | 8,039,041    |
| Refund of prior years' federal taxes on income and interest thereon, related adjustment of inventories, etc. (Note 1) . . . . . |              | 4,065,649    |
| Transfer from earnings appropriated in prior years for contingencies . . . . .  |              | 744,258      |
| Adjustment (to cost) of carrying value of common stock held in treasury . . . . .   |              | 315,576      |
|   |              | \$65,556,113 |
| Deduct:   |              |              |
| Cash dividends paid — \$2.50 per share . . . . .  | \$ 4,092,845 |              |
| Transfer to common stock account of portion of earnings employed in the business . . . . .                                      | 25,000,000   | 29,092,845   |
| Balance, March 30, 1957 . . . . .   |              | \$36,463,268 |

## NOTES TO FINANCIAL STATEMENTS

NOTE 1: During the 1957 fiscal year the company received a net refund of federal taxes on income for the years 1942 to 1953, largely attributable to amendments in the method of application of the last-in first-out method of inventory valuation which were accepted by the Internal Revenue Service. The resulting amount of \$4,065,649 which has been credited to earnings employed in the business consists of the following:

|   |  |             |
|---|--|-------------|
| Refund of federal taxes on income, \$4,016,193, less \$2,950,000 previously recorded on the books . . . . .   |  | \$1,066,193 |
| Interest on refund, \$2,471,024, less \$1,368,126 of current federal and state income taxes thereon . . . . .   |  | 1,102,898   |
| Adjustment increasing the carrying value of inventories to the basis agreed upon with the Internal Revenue Service for the application of the last-in first-out method of valuation . . . . . |  | 1,896,558   |
|   |  | \$4,065,649 |

NOTE 2: For the year ended March 30, 1957 the company discontinued providing for accelerated depreciation on recent additions to warehouse buildings, store fixtures, machinery and equipment at the rate of 7½% for the year of acquisition and for the following year, and instead adopted the sum of the years-digits method of accelerated depreciation, heretofore used only for federal income tax purposes. For store buildings, the company also adopted the sum of the years-digits method for 1957 but continued to provide for additional accelerated depreciation computed on a basis heretofore used which is related to estimated fair rental values. Such additional accelerated depreciation on store buildings amounted to \$676,802 for 1957 and \$511,093 for 1956. The over-all effect of these changes on the total amount of depreciation provided and charged to earnings for the 1957 fiscal year, and on reported earnings for the year, is not material.

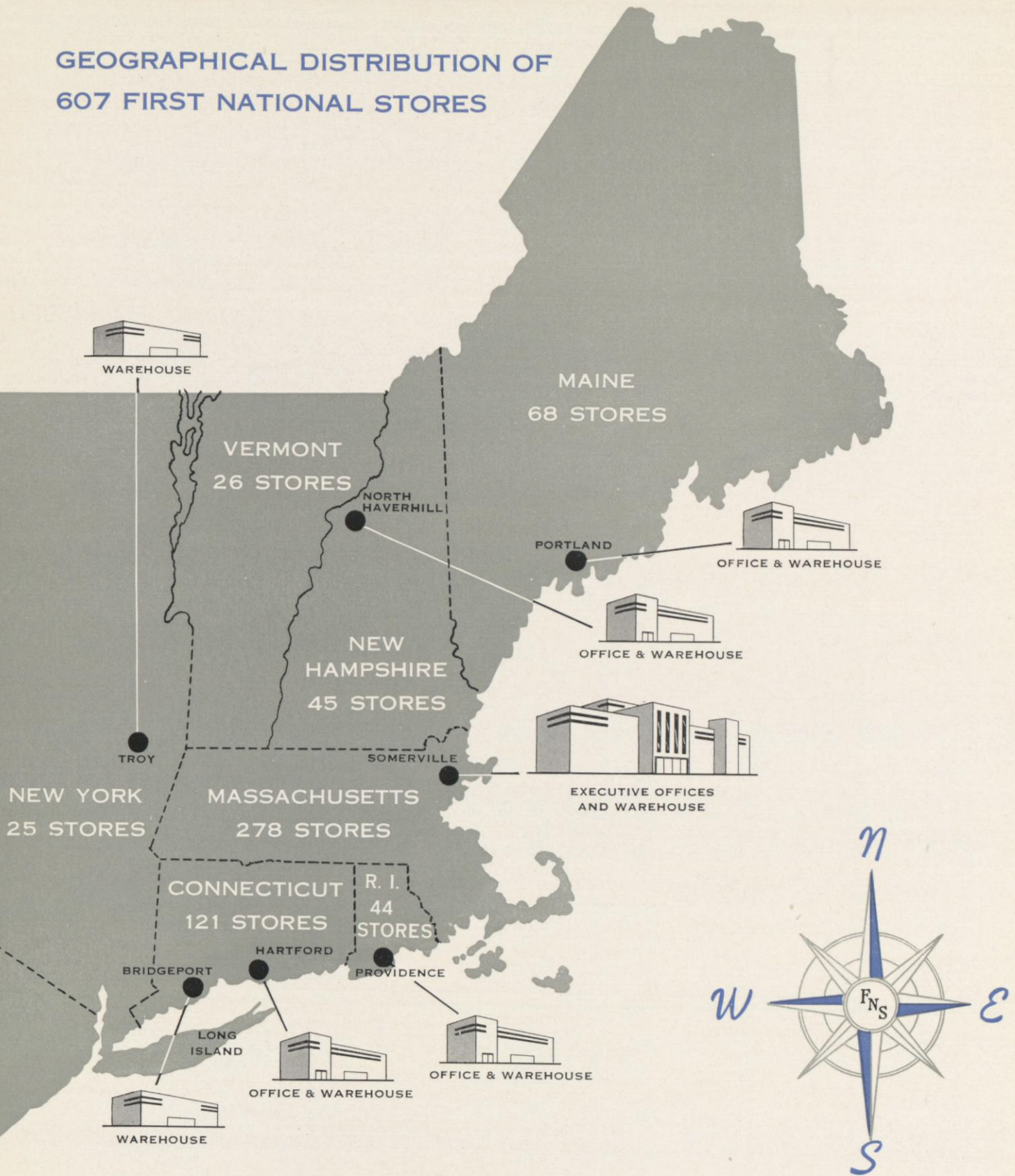
NOTE 3: At March 30, 1957 the company was obligated under 187 leases expiring after March 31, 1960. The aggregate of the minimum annual rentals under these leases is \$2,371,516 and the aggregate amount of rentals charged to earnings for the 1957 fiscal year under all leases was \$3,429,726.



This new Warwick, R. I., supermarket is part of a shopping development midway between growing population centers and on a direct highway from Providence to the Shore.



# GEOGRAPHICAL DISTRIBUTION OF 607 FIRST NATIONAL STORES



**TRANSFER AGENTS:**

THE FIRST NATIONAL BANK OF BOSTON, BOSTON  
 CHEMICAL CORN EXCHANGE BANK, NEW YORK

**REGISTRARS:**

SECOND BANK-STATE STREET TRUST CO., BOSTON  
 BANKERS TRUST CO., NEW YORK, NEW YORK



ROBERT  
MAY  
1817